

STATEMENT OF SENATOR ERNEST HOLLINGS

INTERNATIONAL TRADE HEARING

AUGUST 1, 2001

THE MODERN ERA OF INTERNATIONAL TRADE
NEGOTIATIONS BEGAN IN 1979 WITH THE COMPLETION AND
RATIFICATION OF THE TOKYO ROUND AGREEMENTS.

SINCE THAT TIME THE UNITED STATES HAS ENTERED INTO
NUMEROUS INTERNATIONAL TRADE AGREEMENTS INCLUDING
NAFTA, THE WTO AND THE CHINA WTO AGREEMENT. EACH
AGREEMENT HAS BROUGHT A SIMILAR RESULT:

- DECLINES IN U.S MANUFACTURING EMPLOYMENT
- INCREASES IN U.S. TRADE DEFICITS
- INCREASED INVESTMENT BY U.S. BASED MANUFACTURERS IN
FACTORIES OUTSIDE OF THE U.S. IN ORDER SEND PRODUCT
BACK TO THE UNITED STATES

NOW THE NEW ADMINISTRATION WOULD LIKE THE CONGRESS TO AUTHORIZE ADDITIONAL NEGOTIATIONS UNDER THE ORWELLIAN NAME OF “TRADE PROMOTION AUTHORITY.”

BEFORE WE CONTINUE DOWN THIS PATH, IT IS APPROPRIATE TO REVIEW THE PROMISES THAT PREVIOUS ADMINISTRATIONS HAVE MADE, WHETHER THEY’VE BEEN KEPT. MOREOVER, IT IS APPROPRIATE TO REVIEW WHETHER THESE “TRADE AGREEMENTS” ARE INVESTMENT AGREEMENTS DESIGNED TO ENCOURAGE U.S. BASED MANUFACTURERS TO LOCATE OUTSIDE THE UNITED STATES.

IN 1979, OVER 21 MILLION AMERICANS, OUT OF A WORKFORCE OF 90 MILLION WORKED IN THE MANUFACTURING SECTOR. TODAY THAT NUMBER IS BELOW 18 MILLION, DESPITE THE FACT THE WORKFORCE HAS GROWN TO OVER 133 MILLION JOBS. MOREOVER, ACCORDING TO THE DEPARTMENT OF LABOR THIS STATISTIC WILL NOT IMPROVE. OVER THE NEXT DECADE, THE DEPARTMENT ESTIMATES THAT THE MANUFACTURING EMPLOYMENT BASE WILL CONTINUE TO SHRINK, DESPITE

CONTINUED GROWTH IN THE ECONOMY.

THIS IS NO IDLE STATISTIC – MANUFACTURING PAYS MORE THAN OTHER JOBS THAT WE ARE CREATING.

IT ACCOUNTS FOR THE FACT THAT THE MEDIAN ANNUAL INCOME OF MEN WITH A HIGH SCHOOL EDUCATION IN 1978 WAS 23% HIGHER THAN MEN WITH HIGH SCHOOL DIPLOMAS IN 1999. MEN WHO HAD COMPLETED FOUR YEARS OF HIGH SCHOOL IN 1978 EARNED MEDIAN INCOME OF \$35, 396 BUT IN 1999 MEN WHO HAD EARNED A HIGH SCHOOL DEGREE HAS A MEDIAN INCOME OF ONLY \$27,240.

IN 1994, BEFORE THIS VERY COMMITTEE THEN USTR MICKEY KANTOR TESTIFIED THAT THE WTO-URUGUAY ROUND WOULD “LEVEL THE PLAYING” FIELD FOR THE UNITED STATES. I WAS THEREFORE SOMEWHAT SURPRISED TO READ THAT THERE REMAINS A LARGE TARIFF DIFFERENTIAL BETWEEN U.S. TARIFF RATES AND THOSE OF OUR TRADING PARTNERS. I LOOK FORWARD

TO EXPLORING THAT INCONSISTENCY.

MOREOVER, IN THAT VERY SAME TESTIMONY, THE THEN TRADE REPRESENTATIVE CITED SEVERAL COMPANIES THAT WOULD SIGNIFICANTLY BENEFIT FROM THE SO-CALLED LIBERALIZATIONS CONTAINED IN THE AGREEMENT. I WAS ONCE AGAIN SURPRISED TO LEARN THAT SEVERAL OF THESE COMPANIES HAD ENGAGED IN MASSIVE LAYOFFS, INCLUDING SOME THAT INVOLVED THE TRANSFER OF U.S. JOBS TO FACILITIES OUTSIDE THE UNITED STATES.

THESE ISSUES ARE CERTAINLY WORTH ADDRESSING BEFORE WE DECIDE TO MOVE FORWARD ON NEW TRADE NEGOTIATIONS.

I AM PLEASED TO WELCOME THE SECRETARY OF COMMERCE DONALD EVANS AS WELL DR. EDWARD LUTTWAK, ALAN TONELSON AND MR. DANIEL PRICE.